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C O N F I D E N T I A L SECTION 01 OF 04 BEIJING 001814

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SUBJECT: TAO DIRECTOR CHEN YUNLIN MANAGES EXPECTATIONS FOR CROSS-STRAIT PROGRESS

Classified By: Deputy Political Section Chief Ben Moeling. Reasons 1.4 (b) and (d).

Summary

¶1. (C) Taiwan Affairs Office Director Chen Yunlin told visiting DAS Thomas Christensen that there has been a positive change in cross-Straits relations, but that the situation remains complex and sensitive. He said the two sides need time to rebuild mutual trust and the United States should neither make demands for quick progress nor fear that Taiwan will get "too close" to the Mainland. DAS Christensen urged the PRC to take advantage of the opportunity to secure a long-term improvement in cross-Straits relations. China should reduce its military deployments opposite Taiwan and allow Taiwan's meaningful participation in international organizations. Taiwan's international space is a difficult issue, but if the two sides can "set aside differences" on the exact meaning of "one China," Taiwan's international representation and participation in international organizations can be dealt with in the Association for Relations Across the Taiwan Strait (ARATS) - Straits Exchange Foundation (SEF) channel. Chen made no commitments regarding China's reduction of military deployments opposite Taiwan, but said the two sides "can discuss confidence building measures." Chen urged the United States "not to disrupt the positive environment" in cross-Straits relations. Notably, he did not specifically raise U.S. arms sales to Taiwan. If the Taiwan people do not see positive benefits from the current moderate approach, four years hence they may again embrace more extreme policies. At that time, international opposition to those trends might be less strong than it was this past year. End Summary.

Positive Developments but Still Complicated

¶2. (C) In a friendly exchange with EAP Deputy Assistant Secretary Thomas Christensen May 10, State Council Taiwan Affairs Office (TAO) Director Chen Yunlin assessed that the March 2008 election results in Taiwan represent a positive change in the direction of cross-Straits relations that is conducive to peaceful development. For that reason, China will "take positive steps to take advantage of the opportunity." He noted however, that the issue is still "complicated and very sensitive." He stated that the Taiwan issue is fundamental to U.S.-China relations, and "great care should be taken to manage the issue." He noted that when there is stability in U.S.-China relations, it increases stability in the Taiwan Strait. Chen reiterated that U.S. opposition to Chen's UN referendum and the phone calls between President Hu and President Bush before and after the election were highly appreciated.

PRC Should Support Ma's Moderate Approach

¶13. (C) DAS Christensen stated that the U.S. Government sees the election results as an opportunity to improve long-term cross-Straight relations and to increase communication and build trust. Countering the views of some in the United States, DAS Christensen conveyed the U.S. Government's position that Ma's desire to improve cross-Straight relations is a positive and stabilizing development. He emphasized that the United States saw the meeting between Hu Jintao and Vincent Siew at the Bo'ao forum as a positive breakthrough for cross-Straight relations.

¶14. (C) DAS Christensen urged China to reduce its military deployments in the area opposite Taiwan in order to achieve a long-term improvement in cross-Straight relations. He also said that it is important for Beijing to allow Taiwan to expand its international space. Even when international organizations require statehood for membership, ways should be found to allow Taiwan to participate meaningfully as an observer. Furthermore, the PRC should not make demands in international organizations regarding nomenclature for Taiwan that the vast majority of Taiwan citizens cannot accept. He predicted that Ma would make Taiwan's participation in international organizations easier for the Mainland to accept and would not use such participation as part of an independence agenda.

¶15. (C) DAS Christensen cautioned that if the PRC does not take the opportunity to make progress, circumstances could change before the next election in Taiwan four years from now. The United States and the international community

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opposed Chen Shui-bian's extremism and the Taiwan people clearly showed their preference for a moderate approach toward the Mainland. If the moderate approach is not successful, however, the Taiwan people may support more extreme policies and power could again shift toward pro-independence politicians. The international community also might accept the logic that the moderate approach has not resulted in progress or benefits for Taiwan and refuse to oppose publicly the more independence-oriented approach that frustrated Taiwan citizens might advocate.

Washington Should Not Make Demands

¶16. (C) Chen responded that the Taiwan issue is sensitive and complicated and outside attempts to "help" the situation could in fact cause more problems. He said the United States and Japan "should not make too many demands of Beijing or set targets or specific dates for the Mainland or Taiwan to meet on cross-Straight issues." China has limits as to what it can do and is facing a lot of problems, Chen said. Beijing is very focused on the Olympics. Chen said that some in the United States hope that things will move quickly, and he urged Washington not to misunderstand Beijing's reluctance to move too fast. Chen suggested that a more positive approach would be to urge the Mainland to act in the interest of the Taiwan people, advice China could accept. Chen agreed with DAS Christensen's comments about demonstrating the effectiveness of the moderate policy. He noted that over five million people in Taiwan did not vote for Ma Ying-jeou, and those voters also need to be convinced of the benefits of improvement in cross-Straight relations.

¶17. (C) China hopes to improve relations step by step through consultations with Taiwan. Chen said Ma appears to be sincere about improving cross-Straight relations. Chen argued that at present the most important issue is the need to restore mutual trust. Chen Shui-bian destroyed trust across the Strait and time is needed to rebuild it. The first step is the hardest, Chen said, "but at the same time, if we fall down, like a toddler, we need to be willing to get up and try

again." The Hu-Siew meeting in Bo'ao was a very difficult step, because Siew was not just a candidate or a head of a business delegation, he was the vice president-elect. (Note: Chen did not use the usual caveat "so-called" when referring to Siew's title.)

Things Won't Get "Too Hot"

¶ 18. (C) Chen commented on a recent conference in the United States on U.S.-Taiwan relations where one-third of U.S. experts were worried that Ma would "get too close to the Mainland too fast." Chen Yunlin asserted that things would not get too hot too quickly in cross-Strait relations. Beijing has been very active in proposing practical improvements like the three links and Mainland tourism to Taiwan. Many of those issues became Ma's campaign pledges, and the PRC wants to see Ma fulfill those promises. However, Ma Ying-jeou has also been "impolite" by publicly announcing dates for implementing charter flights and tourism without consulting with China first. Such issues should be discussed in the ARATS-SEF channel, Chen said.

¶ 19. (C) With Chen Shui-bian in power, there was no way to move forward on these technical issues. China's approach to Chen Shui-bian was very simple, Chen said: just oppose everything he tried to do. Ma's election makes China's policymaking more complex. Things will have to move at a measured pace, he cautioned. "No one should expect things to go from minus 100 degrees to plus-100 degrees overnight." In addition, Chen said, even though 70 percent of the people on Taiwan want to see improvements in relations with the Mainland, the DPP will still oppose Ma's initiatives.

International Space and the Problem of Two Chinas

¶ 10. (C) Chen said that the issue of Taiwan's "international space" is a practical problem and hard to resolve. The two sides should be able to work out the question of Taiwan's international space through dialogue between the ARATS and the SEF. The unresolved Chiang Kai-shek era question of "who represents China?" has returned. Chen said that visitors from Taiwan ask him "Who am I? You say that the Republic of China doesn't exist, so where am I from?" Chen said that that he feels bad about this, but it is difficult for both sides of the Strait to recognize the existence of the other

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formally. For this reason he supports the phrase that both Vincent Siew and Hu Jintao have endorsed to "set aside differences." (Note: *gezhi zhengyi*, a phrase first coined by Deng Xiaoping as a proposal for dealing with territorial disputes in the South China Sea.) Chen advocated setting aside the dispute over definitions of one China and proceeding on the basis of the 1992 Consensus. Chen said that if the two sides do not set aside differences and move forward, they might find themselves spending two or three years just discussing the same question.

¶ 11. (C) Chen said Beijing is carefully studying the issue of Taiwan's participation in the World Health Organization and the World Health Assembly. He said that the United States seems to be pushing impatiently for immediate access for Taiwan, but unfortunately the matter will be discussed in the Assembly on May 19, Chen Shui-bian's last full day in office.

He agreed that with Ma in charge, pragmatic solutions to Taiwan's international participation are possible. DAS Christensen said that the United States understands the difficulties with the timing of the WHA meeting on May 19, but in principle would like to see more flexibility from the Mainland on Taiwan's international space.

PRC Willing to Explore Military CBMs with Taiwan

¶12. (C) Chen Yunlin was not responsive to the recommendation to withdraw military assets deployed near Taiwan. He argued along familiar lines that China's military deployments are purely for self defense and the protection of sovereignty and territorial integrity, a right claimed by all countries. He described China's military capabilities as defensive and backward, pointing out that China has no aircraft carriers. The United States should "rest easy" about China's military capabilities. He did say that, if Taiwan asks for withdrawal of weapons deployed near Taiwan in cross-Strait dialogue, "the two sides can discuss confidence building measures." In 2005, he noted, President Hu discussed the issue of military confidence building measures with KMT Honorary Chairman Lien Chan. However, Chen argued, if the United States (or Japan) makes demands on China for specific force reductions, it could be counterproductive. More generally, Chen said that he hopes that the United States "will not take steps to destroy the environment in cross-Strait relations." (Note: He did not specifically raise the issue of U.S. arms sales -- a significant omission from Chen's usual litany.) DAS Christensen responded that there have been substantial force enhancements in the area opposite the Taiwan Strait in the past few years and Chinese officials have insisted that this was because of fears that Chen Shui-bian would take pro-independence actions. That threat has now passed, and therefore a pull-back of the deployments makes even more sense than it did earlier.

Taiwan's Market Should Open to Mainland

¶13. (C) Chen complained that aspects of the China-Taiwan economic relationship are one-sided in Taiwan's favor. Even though both sides are members of WTO, Taiwan's market is closed to Chinese goods and investment, a situation other WTO members would not tolerate. The Mainland has allowed this, however, in an effort to show good will to the 23 million people of Taiwan. Taiwan goods are sold in the Mainland duty free, Taiwan investors can invest in the Mainland, and Taiwan students can attend Mainland universities, but not the other way around. Chen said these arrangements are clearly unfair. Ma may be willing to change these practices, he suggested.

Chen Shui-bian Seeking U.S. Protection?

¶14. (C) Chen mentioned that he had heard that some in the United States are thinking about inviting Chen Shui-bian to visit the United States, and others have discussed the possibility that Chen could seek refuge from his legal problems by staying in the United States permanently. Chen Yunlin said it would be "very sensitive" if Chen Shui-bian were allowed to seek political protection in the United States. The only reason Chen would stay in the United States long-term would be to avoid his political and legal troubles, Chen added.

House Speaker Pelosi Attendance at Ma Inauguration

¶15. (C) Chen expressed concern about the possible attendance

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of House Speaker Nancy Pelosi at Ma's inauguration. He argued that most Chinese see her as "biased and hostile" toward China and would interpret her attendance as reflecting official U.S. policy. He suggested that President Bush warn her not to attend. DAS Christensen responded that the Executive Branch does not control the actions of members of Congress and that it would be wholly inappropriate for President Bush to try to dictate to members of Congress what they should do. If there are misunderstandings about U.S. policy or the U.S. political system, the Chinese Government should endeavor to explain the distinctions to its people.

¶16. (C) DAS Christensen cleared this message.

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